

2003/2004
WESTERN AUSTRALIA

**REPORT OF THE
REGISTRAR OF HOUSING SOCIETIES**

FOR THE YEAR ENDED
30 JUNE 2004

PRESENTED TO BOTH HOUSES OF PARLIAMENT

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HON NICK GRIFFITHS MLC
MINISTER FOR HOUSING AND WORKS

I have pleasure in presenting the report of the Registrar of Housing Societies for the year ended 30 June 2004.

The Annual Report of the Registrar is submitted pursuant to section 94 of the Housing Societies Act, 1976.

A handwritten signature in black ink, appearing to read 'Greg Joyce', with a stylized flourish at the end.

GREG JOYCE
REGISTRAR OF HOUSING SOCIETIES

INTRODUCTION

The Housing Societies Act, 1976 provides for the formation, registration, administration and control of Societies by the Office of the Registrar. The Registrar, pursuant to section 94 of the legislation is required to present an Annual Report to Parliament.

Housing Societies operate to assist the State Government implement its home loan programs. These programs have assisted low to moderate income families, make a manageable progression from renting to home ownership.

Housing Societies have on balance sheet loan portfolios that are financed from the Home Purchase Assistance Account (HPAA) and pursuant to the Housing Loan Guarantee Act (HLGA). Funding from the HPAA to the Housing Societies for new lending ceased in 1990 and at the same time the State Government also ceased issuing guarantees under the HLGA.

The Keystart Housing Scheme replaced the HPAA and HLGA schemes. The Housing Societies were appointed as exclusive retailers of home loans for the Keystart program in 1989. A change in Keystart loan origination policy has meant that from 1 January 2003 the Housing Societies do not originate new loans for the Keystart Housing Scheme and that this function is undertaken by mortgage brokers. This has increased the number of organisations retailing home loans for the Keystart Housing Scheme.

During the Housing Societies 2003/2004 financial year, which ends 31 March 2004, the Housing Societies managed on balance sheet and Keystart home loans valued at \$885 M.

The Housing Societies engage Management Companies to administer the operations of the Society. The Management Company is paid a fee by the Housing Society for this service. The management fee paid by the Housing Societies is comprised of a percentage of the volume of loans under management, loan establishment fees and discharge fees. Management fees paid by Housing Societies to respective Management Companies for 2002/2003 was \$8.28 M and \$5.11 M for 2003/2004. The reduction in management fee income reflects a reducing loan portfolio that the Housing Societies are managing.

Housing Societies because of their cooperative nature have assisted members who are in genuine financial hardship. This financial year the Housing Society industry has provided borrower assistance to members valued at \$113,329.

There were five registered Housing Societies as at 30 June 2004.

HOUSING SOCIETIES OPERATIONS

The Housing Societies operations over the last year have been focused on the management of existing housing loans to members. There has been no new housing loans originated by the Housing Societies for their year ending 31 March 2004. This reflects a change in the Keystart Loan Scheme policy where licensed mortgage brokers and not the Housing Societies. originate new loans.

The Housing Societies as at 31 March 2004 still managed Keystart home loans and a portfolio of loans financed from Government loan schemes. The Government loan schemes are on the Housing Societies balance sheet and are reducing as a result of mortgages being discharged. One Housing Society prior to the end of the 2003/2004 financial year and two Housing Societies subsequent to that, significantly reduced the value of loans they manage by relinquishing the rights to manage the Keystart Loan Scheme home loans back to Keystart.

Aggregate Keystart and on balance sheet mortgages managed by societies at the end of their financial year, 31 March 2004, stood at \$870 M and \$15 M respectively.

Figure 1

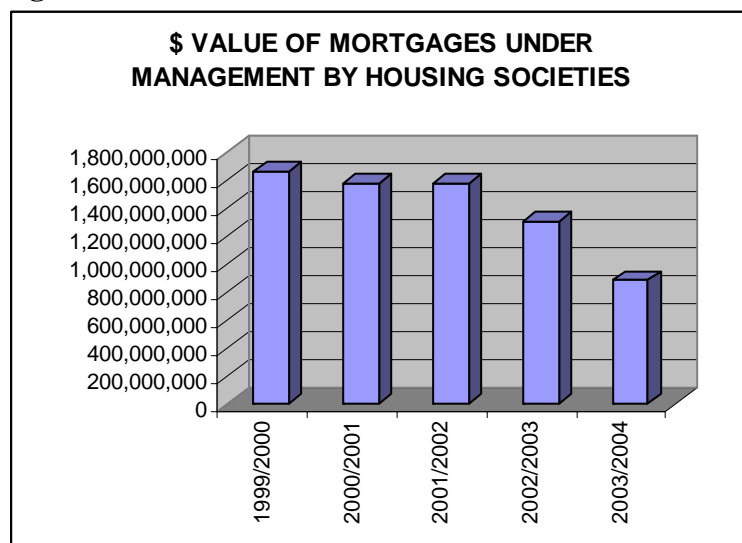


Figure 1 shows the total on and off balance sheet loans under Housing Society management for the last five years.

The value of mortgages under management was effected by the transfer of management rights, members discharging loans and the fact Housing Societies did not originate any new loans.

Also property values increased during 2003/2004 resulting in members building sufficient equity to enable them to upgrade their dwelling or refinance their housing loan with an other financial institution.

The aggregate balance sheet assets of Housing Societies at the end of their financial year amounted to \$16.73 M. The reserves of the Housing Societies represents approximately 50% of the total societies balance sheet assets.

The statistical appendix provides information on the breakup of the Housing Society industry activities as at 31 March 2004.

The Housing Societies on balance sheet loans under management were previously obtained via:

The Housing Loan Guarantee Act 1957 (HLGA) enabled Housing Societies, with the support of a Government guarantee to raise funds from institutional lenders to on lend to borrowers with moderate income and low deposit. Due to a high loan to valuation ratio, the State indemnified the societies for any loss incurred from these housing loans to society members. The Government concession also saved home buyers from the cost of taking out private mortgage insurance;

The Commonwealth/State Housing Agreement's (CSHA), Home Purchase Assistance Account (HPAA) provided funds to Housing Societies for on-lending to low to moderate income home buyers at a concessional interest rate.

Both of the above loan schemes have reduced significantly over the past ten years and Housing Societies are now managing a residual number of members loans originating from the schemes.

As at the 31 March 2004 there was only \$1.66 M of HLGA debt outstanding to lending authorities under this scheme. In respect of the HPAA scheme, which is administered by the State Housing Commission there, was \$6.19 M of loans outstanding.

THE REGISTRY

1. OPERATIONAL OBJECTIVE

The Registry's objective is to promote the prudent management of Housing Societies registered under the Housing Societies Act, 1976.

The program to achieve this objective comprises:

- providing the legislative framework for the registration, operation and control of Housing Societies regulated;
- providing registry services for public searches;
- reviewing the operations of Housing Societies for compliance with the relevant legislation;
- undertaking performance assessments and where necessary, alerting and consulting Housing Societies on matters of concern; and
- assessing what, if any, intervention should occur when the affairs of a Housing Society are no longer manageable by the society.

2. PERFORMANCE IN ACHIEVING OBJECTIVE

(a) Legislative Framework

The Housing Societies Act, 1976 relates solely to Housing Societies. Responsibility for the supervision of Housing Societies was transferred from the Ministry of Justice to the State Housing Commission on 30 August 1994.

The legislative framework that the Registry administers regulates the Housing Societies by setting minimum standards of operations and reporting. It is the responsibility of the Board of Directors of individual societies to ensure that legislative requirements are met in the societies day-to-day operations. Inspections are undertaken to monitor operations and ensure compliance to the Act and society rules.

(b) Registry Services

On request the Registry provided information on the registered status of Housing Societies and made available documents (where permitted by legislation) for inspection by members of the public.

(c) Review of the Operations of Housing Societies

The Registry continues to review and monitor the operations of Housing Societies to ensure compliance with legislation.

Monitoring of compliance is mainly achieved through:

- analysis of monthly, quarterly and annual audited accounts;
- analysis of monthly loan arrears returns;
- on site inspections of Housing Societies operations, liaison with officers of societies; and
- liaison with auditors where necessary.

During the 2003/2004 financial year the overall reserves of Housing Societies increased from \$8.57 M to \$8.89 M.

(d) Performance Assessments, Liaisons with Housing Societies

Housing Societies performances were assessed by collection and analysis of monthly, quarterly and annual financial returns and statements, on site inspections and review of the Housing Societies management practices.

Issues raised or suggestions to improve Housing Society functions as a result of inspections have been addressed to the satisfaction of the Registry.

(e) Intervening in the Affairs of Housing Societies

There was no intervention in the affairs of any Housing Society.

3. ACKNOWLEDGMENTS

Registry staff would like to express their appreciation to other Government Departments, Housing Societies and organisations, which provided assistance to the Registry during the course of the year.

**STATISTICAL APPENDIX
SCHEDULE OF REGISTERED INSTITUTIONS**

HOUSING SOCIETIES ACT, 1976

The Premier Housing Society

TLC Housing Society

UBS Housing Society

Western Homebuyers Housing Society

Westland Housing Society

HOUSING SOCIETIES INDUSTRY BALANCE SHEET

31 MARCH 2004

| | 1999-00 \$ | 2000-01 \$ | 2001-02 \$ | 2002-03 \$ | 2003-04 \$ |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|--------------------|
| Members Funds | | | | | |
| Reserves and Surpluses | 7,660,774 | 7,855,338 | 8,275,674 | 8,572,969 | 8,892,208 |
| Liabilities | | | | | |
| CSHA/HPAA (1) | 24,754,361 | 19,131,135 | 15,107,517 | 9,912,137 | 6,187,216 |
| Institutional Lenders(2) | 4,976,181 | 3,118,992 | 2,082,942 | 1,661,195 | 1,320,208 |
| Other | 1,108,871 | 1,083,012 | 989,349 | 775,487 | 330,435 |
| Total | 38,500,187 | 31,188,477 | 26,455,482 | 20,921,788 | 16,730,067 |
| Assets | | | | | |
| Mortgages Outstanding | 35,275,753 | 28,710,566 | 23,624,848 | 18,768,533 | 15,089,850 |
| Investments | 1,988,156 | 1,280,182 | 1,651,606 | 1,430,770 | 1,434,565 |
| Other | 1,236,278 | 1,197,729 | 1,179,028 | 722,485 | 205,652 |
| Total | 38,500,187 | 31,188,477 | 26,455,482 | 20,921,788 | 16,730,067 |
| Keystart Mortgages (3) | 1,633,686,184 | 1,551,221,989 | 1,554,368,468 | 1,308,192,867 | 870,707,000 |
| Off Balance Sheet | | | | | |
| All Mortgages Under Management | 1,668,961,937 | 1,579,932,555 | 1,577,993,316 | 1,326,961,400 | 885,796,850 |

(1) Commonwealth/State Housing Agreement
Home Purchase Assistance Account

(2) Housing Loan Guarantee Act

(3) Keystart Loan Program

Source: Financial Statements/Board Reports